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SUBJECT: ULYANOVSK: RUSSIA'S AVIATION CAPITAL SEEKING NEW INVESTMENT

REF: 09 MOSCOW 946

Classified By: Acting Political Minister Counselor David Kostelancik for reasons 1.4 (b) and (d).

¶1. (C) Summary: Russia's Ulyanovsk region Governor Sergey Morozov is focusing on the need to attract investment, foreign or domestic, into his central Russian region. During Emboff's two-day visit February 11-12, local officials promoted their receptivity, and Ulyanovsk's infrastructure, industry, and history as major selling points for investors. While facing economic challenges, authorities refuse to open the political sphere to greater competition, with upcoming local elections slated to preserve United Russia's dominance.
End Summary.

Selling the Region's Foreign Investment Potential

¶2. (C) As they did in early 2009 (reftel), regional officials went to great lengths to promote Ulyanovsk's natural advantages for investors. Head of the regional International Relations Department (and U.S. educated) Igor Lukin told us that Ulyanovsk, which sits along Russia's Volga river, is the self-proclaimed "Aviation Capital of Russia." Ulyanovsk is home to three airports, and has one of Russia's largest pilot training programs. During our visit, Governor Morozov was in London at the Oxford Aviation Academy to discuss educational and training exchanges. Russian President Dmitriy Medvedev opened a new bridge, over six miles long, over the Volga on November 24, 2009 to improve national and regional transportation links and ease congestion over the city's old two-lane bridge. Lukin also noted that being straddled by "two crazy, larger neighbors" (Kazan and Samara), meant that Ulyanovsk was prime for investors, since Kazan and Samara were already saturated and "over developed."

¶3. (C) Officials emphasized their receptivity to investment ideas and, building on Medvedev's mantra, innovation and modernization. Lukin said that local officials were prepared to immediately meet with potential investors and would review projects faster than larger cities because of the city's "minimal bureaucracy." As the birthplace of Vladimir Ilyich Ulyanov (Lenin), Ulyanovsk, (called Simbirsk prior to 1924) boasted numerous museums that Lukin diplomatically said, "pay tribute to Lenin's importance as a historical figure," rather than to his status as founder of the Soviet Union. As evidence of the region's use of history to promote innovation, officials showed us the city's unique, year-old, downhill ski slopes, dubbed Lenin Hills, that make use of the Volga's steep banks along the city's Western edge.

¶4. (C) Despite officials' attempts to portray the region in the best light, a sample of taxi drivers and discussions with journalists and opposition party members revealed a city

struggling to revamp its outdated industry. The region is home to the Ulyanovsk Automobile Factory (UAZ) and Aviastar aviation plant, which we were told were struggling to stay profitable. Compared with Western work practices, relatively few people in Ulyanovsk had been fired, but many factory workers had had their salaries reduced, were working dramatically reduced hours, or were on unpaid leave. Our interlocutors blamed the worldwide economic downturn for the falling demand of the region's industrial goods, but remained optimistic that Morozov could improve prospects.

¶5. (C) As Ulyanovsk's historical reliance on Soviet-era military-industrial products has weakened, and well-paying jobs difficult to find, locals are migrating to find adequate employment. Local Right Cause member Irina Palshintseva explained that Ulyanovsk was a major military-industrial complex during World War II as factories were transferred East during the War. The city grew from about 40,000 in the early 1940s, according to Palshintseva, to nearly half a million by the late 1940s. Demographic settling continued in the late 2000s as Russia's economic reliance on Ulyanovsk's heavy industry and the military-industrial complex, mainly UAZ and Aviastar, diminished. Locals, she said, were moving to larger urban areas such as Moscow in order to support themselves financially.

Opposition Struggling Against United Russia Machine

¶6. (C) Interlocutors were pessimistic that elections would change United Russia's stranglehold on local politics.

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Regional Communist Party leader Aleksandr Kruglikov, whose office was the only opposition party buzzing with activity ahead of local elections on March 14, blasted United Russia without hesitation. He said that United Russia was full of criminals and future criminals who use administrative resources to put pressure on the opposition and local media outlets. He, as well as every other political contact with whom we spoke, were convinced that the election results had already been determined by local United Russia leaders. Argumenti i Fakti journalist Stanislav Ikonnikov bluntly stated that elections in Ulyanovsk were divided up ahead of time, "just like in every other region of Russia." Kruglikov added that the Communists would, nevertheless, field party and independent candidates, ranging from 21-61 years old, in each local district.

¶7. (C) Other opposition leaders complained that the use of administrative resources was increasingly used to remove candidates for elections. Mayoral candidate and local National Democratic Union and Solidarity member Aleksandr Bragin told us of his recent battles with the local judiciary. Having come straight from court to meet us, Bragin said that the judge told him that the signatures he had collected to run for mayor were invalid because residents had included their street address instead of just writing their city and region. The judge described this as residents' "address of place of residence," rather than the legally required "place of residence." Bragin said that in previous years the City Central Election Committee had removed him from election lists because he had used the incorrect form to collect signatures. When Bragin replied that he had printed the form off the CEC website, they told him that the form on the CEC website was for "informational purposes only," and that they could not favor him over other candidates by telling him where to find the proper form.

¶8. (C) Opposition leaders counter United Russia's dominance by working together on the local level. Bragin, Kruglikov, and local Patriots of Russia leader Vladimir Aladin told us that a wide ideological range of parties, such as Patriots of Russia, the Communist Party, Yabloko, Solidarity, Right Cause, as well as several NGOs had created a joint Committee

of Civil Control to exchange information and support each others' candidates in select districts. Opposition parties also conducted regular joint pickets in front of the mayor's office, which partly explained the large-scale "training exercise" we noticed across from our hotel one evening complete with shields, shouting, and batons.

Blame United Russia, Not Governor

¶9. (C) Our interlocutors laid the blame for the use of administrative resources at the feet of regional United Russia leaders, not Governor Morozov, who is also a United Russia member. Bragin said that Morozov was not happy about opposition candidates not being registered, but was having problems controlling local United Russia activities. He stated that several local United Russia leaders wanted to replace Morozov because he had not done enough to support financial groups linked to United Russia leaders. Aladin said that Morozov was a good guy, but one who would follow national and local party decisions. Ikonnikov stated that several of Morozov's subordinates were United Russia leaders with stronger ties to the party leadership in Moscow. He added that the Governor was viewed by regional elite as a member of a financial team tasked with improving Ulyanovsk's economy. Morozov had strong popular support and understood the need to create good political and economic conditions for investment, but did not have absolute control.

¶10. (C) Government officials also praised Morozov for his work in the social sphere. Local Human Rights Ombudsman Galina Edvars told us that Morozov was instrumental in improving the situation for human rights within the region. He established the Ombudsman office in January 2009, and over 1000 people had already appealed for assistance, most of whom Edvars explained sought "non-political advice." Right Cause member Palshintseva noted that Morozov met regularly with members of all political parties and movements and often created policies from ideas gleaned from these meetings.

Comment

¶11. (C) Governor Morozov is focused on using the region's existing infrastructure and tax benefits to attract

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investment to the region. Part of his efforts involves working with U.S. firms and investors to draw needed investment to the region. We did not fully buy-in to local officials slick attempts to sell the region's "limitless economic potential," but their attempts speak volumes about Morozov's diligence and priorities. He faces an uphill climb, however, to retool the city's industrial base, while fighting for influence with Moscow and United Russia leadership.

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